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A VIEW OF THE FUTURE

National Intelligence Council



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A VIEW OF THE FUTURE

I. Introduction

1. The Director of Central Intelligence has asked the Intelligence Community Staff to establish a long-range strategic planning process for the Intelligence Community. The IC Staff will act as facilitator in this process in which the members of the Community will establish goals and delineate strategies to implement those goals pursuant to a planning cycle. Planning is to reflect a range of conditions in the 1990s, i.e., 10-15 years hence.

2. Notwithstanding the analytical difficulties inherent in forecasting world conditions over the next 10-15 years, it is important that long-range strategic planning for the Intelligence Community be carried out against the background of an attempt to identify the social, political, military, technological, and economic factors and potentially significant international trends which are likely to emerge over this period and to shape intelligence requirements in the 1990s. Thus, at the request of the IC Staff, the National Intelligence Council has undertaken: (1) to identify driving forces that are likely to be outside the control of US policies but which could create new conditions under which national policies will have to be made; (2) to select the issues that are likely to dominate US policy planners and decisionmakers in the 1990s; and (3) to highlight certain fundamental internal issues that will face the Intelligence Community.

3. The principal threat to the security of the United States will continue to be the hostility of the USSR. The Soviet challenge will be manifested by a drive to strengthen its control over unenthusiastic allies, to expand its influence beyond the bloc where feasible, to weaken Western alliances and to

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foster instability in areas outside direct Soviet control. This challenge, however, will be tempered by the Soviet internal weaknesses and by Moscow's need to cooperate to some extent on international political and economic problems. The Soviet quest for the dividends of military power will continue to stop short of war -- particularly a nuclear one -- to the degree that the United States is able to play an effective role in stemming Soviet encroachment and shaping a pluralistic international system that can resist Moscow's blandishments and subversion.

4. Thus, it must be recognized that any view of the 1990s and the international relationships that will obtain then will be heavily affected by US policies and actions in the interim. While the continuation of certain fundamental US policy objectives may be recognized implicitly, this paper does not attempt to forecast what US policies or actions will be or what results they may engender. However, certain driving forces for change will exist, such as greater diffusion of economic, military and technological capabilities, heightened resource allocation problems and changing economic and financial patterns. The net long-term effect will be a further stratification of both the developing and industrialized world according to states' abilities to cope with and exploit these driving forces for change. Certain newly industrializing countries will reach a new level of economic maturity while other developing countries will fall even further behind in the effort to develop resources and achieve political stability. Strong incentives--both positive and negative--will cause the emergence of regional alliances to deal with these forces. Accordingly, US policymaking will have to take account of the potential diversity within the developing world and its future implications for international cooperation on both the global and regional levels.

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5. These driving forces will, in our view, be accompanied by a substantial increase in the likelihood of political instability and low-level conflict in the 1990s. Third World turmoil will be exacerbated by increased tension between population growth and diminishing economic prospects. Latin America and Africa are likely to experience the greatest economic deprivation, and the attending political instability in these areas could create new opportunities for Soviet meddling. At the same time, more familiar political, military, ethnic, and religious tensions will continue in such current hotspots as the Middle East and Southwest Asia. US policies designed to pre-empt greater Soviet involvement in the Third World will require clear understanding of the forces at work as well as the international conditions that may be altering economic growth and political alignments. The efficacy of the USSR's use of surrogates will increase. The Soviet Union itself will be subject to increasing internal and external pressures that raise the prospects either of overdue economic reforms or rising potential for domestic instability. Despite a commitment to continue its expansionist efforts, the worsening economic situation in the Soviet bloc could limit Moscow's ability to take on major new commitments beyond continued military assistance, and may contribute to a weakening of its grip on Eastern Europe.

6. No less significant will be the growing impact of non-state actors on international problems. Fanatic religious or ethnic groups, as well as radical political movements, will have the ability to dramatically change the political landscape through their willingness to defy national authorities via both peaceful and violent means. As recent events in Beirut demonstrate, a committed few can upset the hopes and plans of the international community. This trend is likely to grow, as the means to disrupt societies and the sources of political instability grow.

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II. Driving Forces

A. The Diffusion of Power and International Realignment

7. The diffusion of power--economic, technological, political and military--is likely to be a key factor shaping the world of the 1990s. This process is not susceptible to the exclusive control of any powerful state, and its consequences are likely to be felt most by those who have traditionally used their superior economic or military power to create international institutions and alliance systems that meet their national objectives. Thus, the United States could find itself pursuing more of its foreign policy objectives through cooperative undertakings, not only with traditional allies but also with newly industrializing states of various regions. The decline in the US proportion of world GNP relative to the faster growth of the newly industrializing countries (NICs) and the diffusion of military capabilities--both nuclear and conventional--will steadily reduce US economic and military preeminence as well as alter the power relationships between the middle-ring powers of the developed world and the NICs. This diffusion of power could prompt greater diplomatic activism on the part of emerging regional powers and become a force for greater stability, or, alternatively, it could promote renewed nationalistic ambitions and become a license for military conquest and regional hegemony. Many of these phenomena could affect the USSR as well.

8. The greater diffusion of military and economic power promises to stimulate new alignments in international relations as well. Economic pressures, especially if protectionism becomes more widespread, could result in new economic associations. In the event that developing countries are unable to revitalize their economies and development programs, the possibility will grow that debt-ridden developing countries will form "debtor cartels" in order

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to exert pressure on Western banks and governments. The most likely associations would seem to be those among the industrialized states, the NICs, and those LDC's that have significant resource opportunities. One basis for such associations might be for the more advanced creditor states to reduce the debt burden of LDCs in exchange for preferential access to key resources. Such resource alliances would offer the US new diplomatic options beyond its traditional alliances.

B. Resource Problems

9. Population. Demographic momentum will bring world population beyond the 5 1/2 billion mark by 1995, with the 30 percent increase overwhelmingly concentrated in South Asia, Latin America, and Africa. The already large gap between rich and poor nations will widen, yielding a greater differentiation within the less developed world. For example, some NICs--such as South Korea, China, India and Brazil--will have emerged in the 1990s as substantial actors on the world stage, with the confidence derived from sustained economic growth acting to soothe internal tensions. Other LDCs will continue to suffer from food shortages, chronic political instability, and endemic pressure for mass migration.

10. Food. Propelled by population pressures, food production and/or access to available stocks of food will remain a cyclical but critical factor in the survival of many less developed states. While the world's food supply will steadily increase over the next decade, the bulk of these supplies will reside in countries already having high per capita food consumption. Average yields are still low in most of South Asia, Africa, and Latin America, giving ample room for improvement even before taking into account likely breakthroughs in agronomy. However, reduced per capita consumption could still result, especially in Africa, because of government policies which create

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disincentives for food production and inadequate systems for exploiting improved techniques in production and distribution. Increasingly, such countries will look to developed countries for cheap food sources and financial support. Genetic research could fundamentally change this bleak picture, but in the process alter the present food producer-consumer relationships.

11. Water and Pollution. Regional water shortages will become more frequent in the 1990s, as population growth alone will almost double water requirements in many regions. The prospect that deforestation--occurring primarily in the humid tropical regions of Africa, Asia and South America--could destroy extensive forests, raises the possibility of more erratic water supplies as well as serious losses in low cost fuelwoods. Of less concern to most LDCs, but of mounting importance to developed and rapidly developing economies, will be pollution of aquifers and other water sources by chemicals and pesticides. The global search for and protection of clean water sources will grow more expensive, and will force nations to consider cooperative measures that will avert conflicts over water resources.

12. Energy. A global energy crisis of some magnitude is likely in the 1990s. Despite the intensification of oil exploration, the discovery of high quality reserves continues to be much slower than the depletion of existing reserves. The present oil glut will discourage more expensive petroleum exploration, conservation efforts and substitution of other energy sources, and thereby increase the likelihood of some shortages during the next decade. Overall demand for energy, however, will steadily grow over the next 15 years. Market forces will tend to push energy prices up, despite government intervention in some cases.

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13. However, as low cost oil supplies and major energy savings opportunities dwindle, alternative sources--such as coal, tar sands, coal gasification, solar and nuclear power--as well as incremental conservation strategies will require long-term capital investments. For many poor LDCs the prospects of new short-term shortages and higher prices will spell greater problems for governments already facing dismal economic prospects and continuing debt problems. With the expected gradual shift away from Mideast oil, OPEC will become less a factor in international energy dealings. Because of the rising importance of alternative energy sources, new trade patterns and financial flows will be established.

14. Migration/Refugee Flows. Continued large-scale movements of people, driven by socio-economic necessity or military conflicts, can be expected. Some Third World governments will be tempted to view migration to neighboring countries as an inevitable safety-valve for popular unrest caused by a worsening economic climate. This trend is already well established in Central America and the Caribbean where population pressures, mass unemployment, and urban violence are forcing larger numbers of people to seek refuge in the United States. Should military conflict continue in the region, the flow of political refugees from Central America could threaten the stability of Mexico and cause bilateral relations with the US to worsen. Elsewhere in the Third World, the incidence of mass migration is also likely to continue as parts of Africa become ecologically uninhabitable and as oppressed ethnic groups in the Third World seek to escape domestic violence and civil war. During the next decade, the developed countries in West Europe will continue to regulate the legal entry of foreigners, in order to fill expected job shortages, but they will find it increasingly difficult to stem the flow of illegal immigration.

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C. Changing Economic and Financial Patterns

15. International Economy. By the 1990s, the world economy will have become more internationalized, as commercial activity and technological capabilities become dispersed. Manufacturing industries will become more interdependent--that is, major firms will buy components from a wide range of countries and there will be growing specialization in production. Such a pattern is already emerging in the automobile and steel industries and can be expected to encompass the electronics and computer fields in the coming years.

16. The next decade will see a vast increase in the competitiveness of the NICs in medium technology machinery and equipment. Although Japan will continue to be a major factor in automotive markets, the new long-term competitive threats in this area will come from countries like South Korea and Brazil which can master modern technology and have access to a relatively well-trained but low-cost labor force. New capacity for industries like steel and basic chemicals will eventually be built exclusively in the LDCs.

17. Increasing competition for world markets will alter international trade flows. Trade opportunities between the US and other producers could become more one-sided: the US market will remain the largest and most accessible target for foreign producers, but US exporters will increasingly need to compete in international markets that are heavily restricted. Trade barriers will not only adversely affect US market opportunities in developed countries, but they will also cause growing export items from the dynamic NICs to enter the less restricted US market. The trade battleground will shift increasingly to the high technology arena. In addition, trade competition will take new shapes, involving the use of robotics and management techniques that promise greater productivity and better quality control. Overall, the prospects for protectionism and cartelization under the guise of industry safeguards will be heightened.

18. Despite the greater worldwide dispersion of economic power, America's major trade contender will continue to be Japan and its economic partners in Asia. Japanese competition in very high technology industries presents a special challenge: its per capita GNP and average productivity is still below the US and many countries in Western Europe, but it has the world's most disciplined and best educated labor force. Apart from lower wages, Japan's unique competitiveness in many industrial areas will remain its ability to develop much improved production processes and its willingness to support massive research and development expenditures in such areas as computers, microelectronics, biotechnics, robotics and telecommunications. Japanese firms can be expected to attack the US market in these fields as they build the necessary production volume. The West Europeans will do well in some areas--for example, sophisticated machine tools and aerospace technology--but by and large they will lose out to the Japanese and the Americans in the race for high technology markets.

19. Financial Flows. In the context of expanding and increasingly diverse world trade, the extent of international funds movements will increase and the technological means by which the flows are carried out will become more complex. Financial transactions involving different currencies, tax havens, captive insurance or leasing subsidiaries, specialized markets, free-trade zones, etc., will multiply. As telecommunications and computer support of such operations grows, the potential for disruption or illicit use of the system will rise. Already, arms dealers, drug networks, and terrorist organizations move legally or launder billions of dollars annually through existing channels and markets. The size and sophistication of such funds flows will have grown by the 1990s, together with the prospect of fraud or tampering with the system itself.

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III. Dominant Issues

A. The Soviets and Eastern Europe

20. Reform or Stagnation in the Soviet Union. The nature of the Soviet system will remain basically unchanged--totalitarian, suspicious, and expansionist--giving top priority to the development and use of military power. In the face of long-standing and worsening economic problems, Soviet leaders have demonstrated a persistent ability to avoid needed changes in economic management that could, at the same time, serve to undermine the Communist Party's control. The leaders have thus far responded largely by making marginal adjustments in Soviet economic plans, constraining mass consumption, tolerating corruption, and using foreign trade and massive technology theft to compensate for internal industrial weaknesses. However, the Soviet Union will be subject to increasing internal and external pressures that raise the prospects either of overdue economic reforms or a rising potential for domestic instability in the 1990s. Perennial external pressures in the political dynamics of East European ferment could further deepen existing strains within CEMA and the Warsaw Pact.

21. Eastern Europe presents some real uncertainties for the Soviets. In these countries, both Communist rule and Soviet domination have remained unpopular for decades. Essentially the same pressures which caused the Hungarian Revolution in 1956 and Czechoslovak "Spring" of 1968 resurfaced in Poland in 1980 and again in 1982. Now workers and miners are increasingly challenging the regime in Romania. Political legitimacy in Eastern Europe is brittle, and beneath the surface nascent resentments against the established order are strong in nearly all countries. No one can predict where the next Nagy or Dubcek or Walensa will surface, but when it happens the new reformer will be able to tap a reservoir of deeply-rooted impatience for real change.

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Perhaps the most critical variable for future stability in Eastern Europe is what will happen in the Soviet Union. If the Soviets can successfully manage their growing economic and political stresses, they may be as able to handle Eastern Europe in the future as it has in the past. But if the Soviets falter--which they might--the ruling regimes in most of these client states will falter too. The prospects for turmoil in Eastern Europe increase geometrically with unsteadiness in the USSR.

22. Thus, a key intelligence question for the 1990s will be whether the Soviet leaders can manage their own domestic problems in concert with challenges from the weakening empire in Eastern Europe without risking greater political instability for themselves and their satellites. With the passage of time, Soviet domestic problems are likely to worsen, and the chances of the political system muddling through in its present form will probably decrease. As tensions mount over how to introduce economic reform and yet maintain political control, leadership struggles are likely to increase, and the consensus style of decisionmaking will be harder to manage.

23. The Strategic Competition. Regardless of the character of internal political developments, Soviet concerns about US military modernization, particularly in the strategic nuclear area, are likely to grow. The Soviets' traditional fear of encirclement will be reinforced by emerging nuclear threats posed by Western Europe and China. If present modernization plans are carried out, British and French nuclear forces will grow substantially by the 1990s: the number of missile launchers will rise modestly to approximately 200, but the number of warheads targeted against the Soviet Union and East Europe could increase five-fold [] China's nuclear capabilities are also destined to pose a greater threat to the Soviets than to the US. The PRC is now deploying ICBMs, constructing a small fleet of ballistic missile

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submarines and developing new strategic ballistic missiles. China will probably be able to deploy small numbers of new intermediate-range and intercontinental-range ballistic missiles in the late 1980s and mid-1990s, respectively. Limited opportunities for greater cooperative elements in Soviet-American relations could be generated by this gradual sense of encirclement together with the increasing danger of nuclear war sparked by Third World regional tensions and nuclear proliferation.

24. With or without arms control agreements, the Soviet-American strategic arms competition will continue to be a dominant issue in the 1990s. Advances in strategic weaponry by China and other powers will be important factors in an increasingly multifaceted strategic environment, but Soviet developments will still dominate intelligence planning. Improvements in all aspects of the Soviet strategic program will create an expanded number of options for shaping the size, mix, and characteristics of offensive and defensive forces. Despite their impressive offensive force improvements, the Soviets' potential future developments in strategic defenses could be of even greater significance to the perceptions, and perhaps the reality, of the strategic balance. The Soviets already have the capability, in the absence of an ABM treaty, to have widespread ballistic missile defenses in place by the early 1990s, although there are doubts about how well such a system would function.

25. Soviet efforts to apply advanced technology in four military areas--nonacoustic sensors for broad ocean anti-submarine warfare (ASW); "Stealth" (low observables) technologies; directed energy weapons (space based lasers and RF weapons); and electronic warfare (EW)--could, if the Soviets succeed in major advances, also have profound consequences.

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26. A number of other weapons-related developments could also affect US military programs:

- The survivability of offensive and defensive forces will depend increasingly on mobility, camouflage, concealment and deception. Greater mobility, in particular, will reduce the cycle time permitted target planners to identify, target and destroy Soviet weapons systems.
- Advances in electronics and sensors will lead to greater automation in the operation of weapons, reducing the human element and raising required skill levels.
- Microbiological research and development of chemical weapons and mycotoxins will expand the scope of possible weaponry and strategy.
- New types of nuclear and non-nuclear munitions will mean more dual purpose missiles, further complicating distinctions between conventional and nuclear systems and tactical and strategic weapons, both for purposes of military planning and arms limitation agreements.

27. Barring effective arms control agreements, the strategic competition in space will have intensified by the 1990s. The high rates of Soviet expenditures on space expected over the next decade--outpacing the growth rate of the Soviet economy and even overall military spending--promise to yield a wide variety of new Soviet systems that could be deployed by the early to late 1990s, both for space-based warfare and for space links to existing ground-based systems. While such an investment is likely to lead to a reusable space transportation system and other military-related vehicles, the most significant future impact of increased Soviet efforts could well be the extension of Soviet military reach through space-based global command and control communications systems and more accurate intelligence collection for targeting, navigation and tactical support. In the future, anticipating

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developments in the Soviet space program will become increasingly difficult

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28. Arms Control Monitoring. The continuing strategic competition will complicate any potential arms control negotiations and the intelligence monitoring tasks associated with them. By the 1990s, owing to the accelerating evolution of military technology, weapons systems will be more difficult to monitor with or without arms control agreements. However, under any future agreements, qualitative constraints will be very difficult to monitor by NTM (National Technical Means) alone, and will require extensive cooperative measures. Moreover, the trend toward greater mobility in both strategic and conventional forces will reduce intelligence analysts' confidence that all Soviet forces have been accounted for. Monitoring of existing strategic arms control accords is already becoming more difficult, as the Soviets introduce new systems and increasingly use camouflage, concealment and deception (CCD)

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30. Soviet S&T. The current Soviet military technology base is likely to continue to lag the West in many but not all key areas. The factor probably most responsible for the Soviet lag in technology is the insularity of the Soviet system from the West and the absence of effective incentives to promote technical innovation and creativity. This insularity, self-imposed by the Soviet leadership's continuing political insecurities and long an institutionalized feature of Soviet life, will continue to hamper the Soviet S&T community. Thus, new US systems--as well as new Soviet weapons that are heavily dependent on advanced electronics--are likely to challenge Soviet technology, since its manufacturing and systems engineering capabilities will not be strong across the board. In critical areas the Soviets will make major efforts to keep up with the West. By 1990, the Soviet state of the art in computers and microelectronics manufacturing processes will only be roughly equivalent to that which exists in the US today. And while this will permit the Soviets to support mass-production of microelectronics for most weapons systems and defense manufacturing needs, they will have difficulty producing advanced technology weapons systems that integrate more complicated electronics, advanced computers, and computer software. In selected areas where the Soviets are already strong such as millimeter wave propagation, optical computing, and optical signal processing, their vigorous R&D programs may result in important technological advances.

31. We expect the vigorous Soviet efforts to acquire Western technology to help overcome their weaknesses in the S&T field. The Soviets will probably concentrate most heavily on microcircuitry and electronics where the gap

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between their technology and Western advances is the greatest. Already, substantial infusions of Western technology, legal and illegal, have significantly strengthened the USSR's technology base in microelectronics, computers, inertial and radar guidance components, and composite materials, as well as manufacturing and test equipment necessary to produce them. To keep pace with future US military advances, the Soviets will have to rely on continued access to critical Western technology. Moreover, the Soviet acquisition effort will probably focus increasingly on other technologically advanced countries such as Japan and Western Europe--especially if US technology transfer policy remains relatively more restrictive than that of other COCOM members. If the Japanese were to achieve a significant lead over the US in critical areas such as microelectronics and computers, technology acquired from them might permit the Soviets to take the lead over the US in military applications of this technology.

B. Challenges in the Third World

32. Future developments in the Third World will demand greater attention by US policymakers. The socio-economic forces cited earlier are likely to propel many less developed states into acute states of political and economic crisis. By the 1990s, most leaders who came to power during the decolonization of Africa and Asia will have left the scene, and new political and military elites without the charisma of their predecessors will be forced to grapple with their countries' many problems. The solutions to accelerating population growth, high unemployment, and rampant inflation will in most cases encompass forms of authoritarian rule and austere economic policies. There could well be a greater economic impulse toward mixed economies in some Third World countries but this will be severely modified by the perceived need for centralized political control in others. The aging of charismatic

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revolutionaries like Fidel Castro and the dismal economic progress that such regimes have made under Moscow's tutelage could lead some new leaderships to value ties with the West as the only realistic hope of meeting their countries' basic needs. Despite a commitment by the Soviets to continue their expansionist efforts, the deepening economic crisis in the Soviet bloc could limit Moscow's ability to take on major new commitments other than continued military assistance. Some regimes, however, will remain susceptible to influence by the Soviets and their surrogates.

33. The Third World will be more subject to serious military conflicts, as it will not only face growing resource scarcities and economic distress, but will have a greater military potential for trying to solve those problems through force of arms. Advanced weaponry will be increasingly accessible to countries outside of the traditional major power alliances, making new alliances among LDCs plausible, and conflicts among such nations more likely and more bloody. By the 1990s, several LDCs will possess the S&T capability to produce sophisticated conventional weapons. The use and/or sale of such weapons will pose a serious threat to regional stability and problems for the major powers. The Third World's quest for more advanced and expensive military equipment--encouraged by the demonstrated impact of high-technology weapons in Lebanon and the Falklands--will provide new opportunities for major power military sales programs. By the 1990s, the Soviets will likely have expanded their military and military-support facilities around the globe in areas which are now neutral or even friendly to the US and its allies. This enhanced power projection capability will increase the possibility of active participation by Soviet forces by the late 1990s in limited war situations in which the Soviets judge the risk of escalation to war with Western powers to be acceptable.

34. Nuclear Proliferation. A principal source of political instability facing the West will be a growing nuclear potential. Formidable technical difficulties, energy retrenchment and global economic distress have combined to make acquisition of a complete fuel cycle less feasible. However, the long-term process of developing a weapons capability [REDACTED]

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[REDACTED] is likely to generate indirect threats to US security in the next decade. The transition from nonweapon to weapon state is destabilizing, and a nuclear weapons capability in one state could set off regional rivalries which could escalate into wider conflicts. The West's ability to manage this proliferation problem will decline as the consensus on non-proliferation (NPT, IAEA, supplier country guidelines) weakens and an increasingly disparate nuclear marketplace grows. Nuclear weaponry in the hands of more nations could also make new military relationships possible and less predictable.

35. Terrorism. The range of isolated terrorist activity as well as the use of terrorism as a governmental foreign policy weapon will almost certainly grow over the next decade. [REDACTED]

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[REDACTED] The risk of nuclear terrorism in particular will rise. Present efforts to penetrate terrorist groups will have to be expanded using new equipment and procedures, and better liaison with counter-terrorist officials of friendly governments will be necessary.

C. Regional Developments

36. Future Hotspots. The US will undoubtedly find itself drawn into regional conflicts that will bring the two superpowers into periodic and potentially dangerous confrontation. The spread of conventional military

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technology and nuclear weapons will reduce both Soviet and American influence in such conflicts. Politico-military flashpoints in the future could include:

- Eastern Europe, if there is a significant decline in Moscow's capacity to exert political and military control over this region.
- Mideast, where continuing conflicts--seasoned with a growing Soviet involvement and a nuclear proliferation danger--could compel Western reactions, particularly if the security of Saudi Arabia or the stability of its conservative regime comes into question.
- Southwest Asia, where the effects of Moslem fundamentalism, regional tensions (Iran-Iraq and Pakistan-India) and Soviet military involvement in Afghanistan will remain destabilizing.
- Southern Africa, where Pretoria's deterrent strategy or action by "front-line" states to overthrow apartheid rule could provoke a confrontation.
- Korea, where the North's military growth continues to outpace the South's, raising the danger that Seoul's efforts to maintain the balance could adversely affect its economic growth and domestic stability.
- Central America and the Caribbean Basin, where the Cuban condition is likely to become increasingly unstable and the political evolution of Mexico is unpredictable.

37. Shifts in Alliances. The next decade is also likely to witness significant changes in US alliance relationships with both Europe and Japan. West Europeans will increasingly perceive their interests as distinct from those of the US and the Soviet Union, but will wish to retain their American defense guarantees. In the near term, Europe is likely to continue suffering from gradual economic decline and widespread stagnation, as well as a fitful showing in the race to develop and exploit new technologies, all of which

could seriously test social cohesion and traditional welfare practices, and inspire more inward-looking, commercially defensive behaviour. Over the longer term, European democracies will probably be able to adjust to changes in the world economy and restore modest growth in their domestic economies. However, in the absence of major Soviet provocations, US allies will be loath to augment their military forces by diverting greater resources away from their task of economic revitalization. We do not expect that West European allies will abandon political and economic policies that can develop mutual Soviet-West European interests and bind Eastern Europe closer to the West.

38. There is little likelihood that Western Europe will have resolved major problems that have stood in the way of its political "unity." Indeed, low economic growth and protectionist impulses are likely to predominate over a more innovative spirit of "Europe-building." Nevertheless, the political and economic rationales for European unity will not have disappeared, and "European" options will continue to be explored. Strains among the West European allies regarding military modernization versus arms control will grow as the Conference for Disarmament in Europe becomes a focal point of East-West relations. Moreover, the differences between European and American perceptions of how to achieve European security could also be accompanied by an intra-European debate over how the liberalization of Eastern Europe and the economic problems of the Soviet bloc will impact on Western Europe's stability. The transfer of power to a post-war generation may have special significance in West Germany, leading perhaps to closer inter-German ties and FRG attempts to distance itself from both the Soviet and American military blocs. Assertions of West German independence within NATO could provide the impetus for renewed Allied concern about the "German Question" and the status of Berlin.

39. Japan, in contrast to Western Europe, will be able to achieve acceptable levels of economic growth even as it jettisons some of its older basic industries. During the 1990s it will make the transition to a highly technical, information-processing economy that challenges the US in banking, biogenetics, computer technology and microelectronics. The potential for US dependence upon Japan for strategic imports will grow. Internationally, Japan will attempt to adhere to a low-profile stance that understates its economic importance but will be forced to assume greater regional military responsibilities. Its influence with the PRC and ASEAN will also rise. Thus, the importance of a cooperative politico-economic triangle formed by Washington, Tokyo and Beijing will grow. Japan's economic strength and pro-US orientation will promote what promises to be a rapidly industrializing Pacific Basin that will be generally supportive of US policies. Many countries in East Asia will be moving into the category of the newly industrializing, picking up basic industries that will be phased out in the advanced industrial economies--such as textiles, machine tools, chemicals, metals, and electronics. Social and economic pressures may lead to the collapse of the regime in the Philippines.

40. The US Backdoor. In Latin America, prospects for political stability depend heavily on economic performance, which in turn will be greatly influenced by the international economic environment. Under favorable conditions, the larger countries of South America, led by Brazil, have a good chance of achieving steady economic progress with increasingly stable democratic institutions based on West European or North American models. A stagnant and protectionist world economy probably would foster the traditional cycle of democratic and authoritarian alternations, with anti-Yankee populism featured heavily in the authoritarian phases. Some of these countries might

again become tempting targets for Soviet meddling. They will in any event continue the recent trend toward independent assessment of their foreign policy interests.

41. The smaller countries of Central America and the Caribbean will be hard pressed to achieve minimal economic and social viability unless they develop special economic relationships with the United States, Canada or Mexico, or among themselves. In that area, power is more likely to fall to either right or leftwing authoritarian regimes, with some of them emulating the Mexican one-party model. At the same time, Cuba is likely to become increasingly unstable: the Cuban revolution will have peaked and popular dissatisfaction with the aging and increasingly erratic rule of Fidel Castro (if he survives until then) will mount. There is little doubt that American policies in the region will need to have a higher priority in the 1990s.

IV. Fundamental Issues Facing the Intelligence Community

42. The dynamic and increasingly complex character of international affairs places a premium on US intelligence efforts to keep ahead of fast-breaking events rather than reacting to them. Planning for such a dynamic future will require the attention of top level Intelligence Community officials responsible for long-term budgetary decisions, many collection and production offices and policy-making users of intelligence. While other parts of the Intelligence Community will establish the goals and strategies which will prepare the Community to meet future intelligence requirements, the National Intelligence Council believes that some implications are inescapable from the foregoing analysis. We foresee the following as fundamental developments that will alter the operation of the Intelligence Community and the relationship between intelligence and policy-making bodies.

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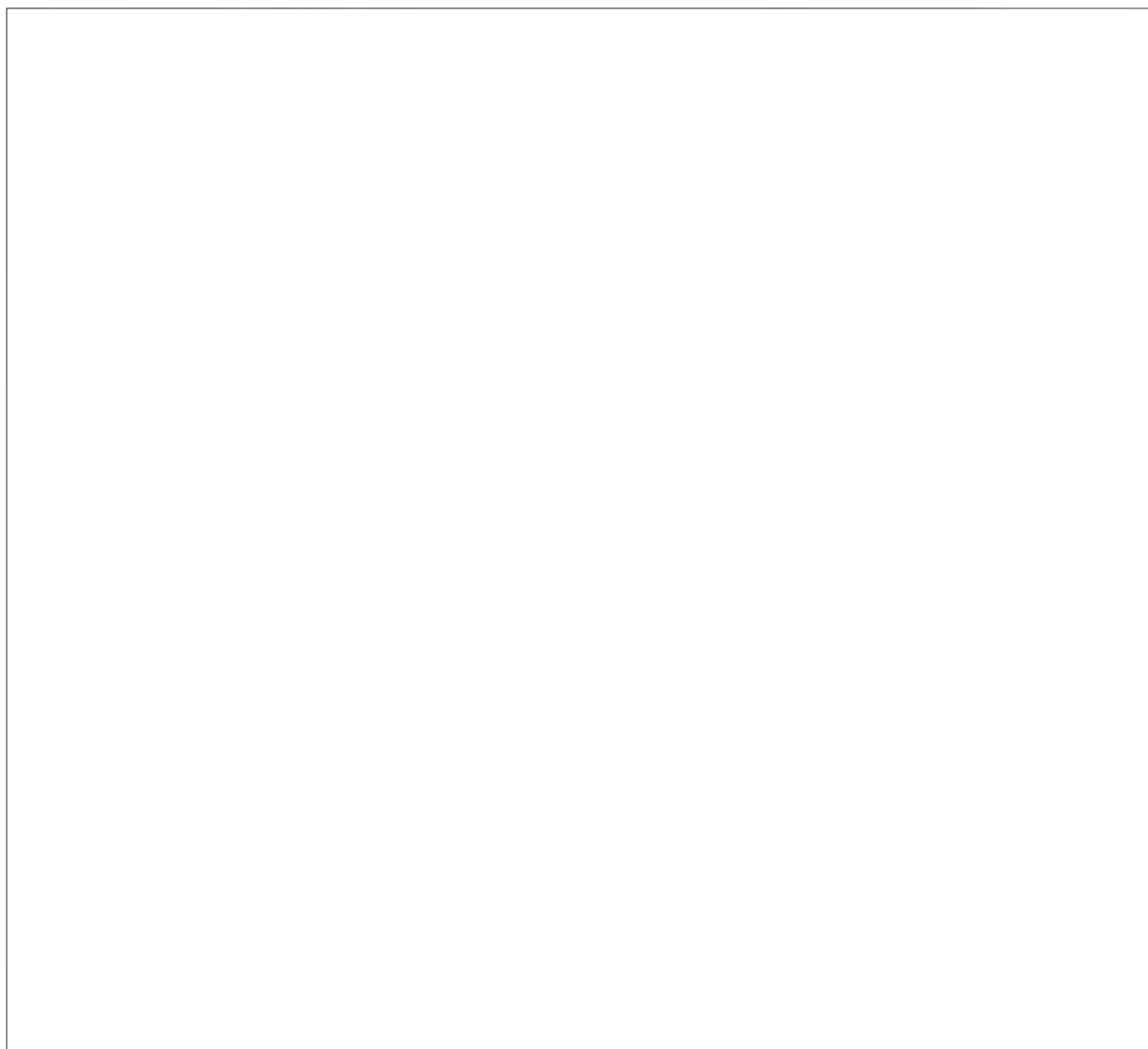
A. Intelligence on Political Instability in the Third World

43. One of the most pressing intelligence needs in coming years will be that of greater understanding and foreknowledge of many Third World crises. This will require a substantial improvement in political, sociological, and biographical intelligence collection -- especially on the part of Embassies. While recognizing the inherent unpredictability of many political phenomena in the Third World, there is a glaring need to improve our ability to detect underlying revolutionary trends. Greater willingness by both collection and analytical elements to identify and utilize theoretical models designed to accomplish this task will be essential.

B. Technical Collection Challenges

44. The technical collection environment of the 1990s will be dramatically altered by the revolution taking place in the laboratories and research institutes in both the Free World and the Soviet bloc. Unquestionably, the job of technical collection will be made more difficult, expensive, and less predictable as the sophistication of weapons systems (e.g., more miniaturization and greater mobility) advances and as more nations introduce complicated and more secure systems for military, economic, and diplomatic communications. Special challenges will need to be faced:

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insights.

45. To master these coming challenges, we must take advantage of our own technical collection base. First, the synergism of planned collection systems must not be underestimated. While it may be relatively easy for an adversary to restrict one source of potential intelligence, we may be able to exploit our capabilities to move rapidly from one collection system to another and greatly increase the opportunities for collection. Second, the continued viability of all technical collection efforts will depend on our investment in future computer techniques. The critical issue for the 1990s will be the maintenance of our technological edge, particularly through continued

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government support for advanced cybernetic projects. The loss of our technological lead will not only threaten our technical collection capabilities but also the security of US communications.

C. Information Handling and Intelligence Collection

46. Information and raw data concerning trade, industry, finance, sciences, weapons technology, space, military insurgencies, etc., will proliferate exponentially over the next decade, in the context of the information/communications revolution. As technical collection against denied targets becomes more difficult, we can also anticipate the increasing relative importance of large volumes of overt human source material. Those able to acquire information in a timely fashion and to store, manipulate, analyze and communicate it effectively will derive significant advantages. Aggressive Community efforts will be needed to capitalize on new information collection and handling technologies and to push forward the frontiers of such research. This is an area where the Intelligence Community can and should lead technology much as NASA led developments in space-age technology through the 1950s and 1960s.

47. The past decade has yielded collection systems of enormous capacity and complexity. However, we have not given the same attention to the development of comparable information handling systems and thereby have faced the analyst with a data glut problem of awesome proportions. The problem is not too much information or knowledge, but simply our inability to derive information from the vast quantities of data being collected every day. The same attention must be given to the information handling problem in the next ten years, as we have given to collection in the past decade.

D. Preparing for Uncertainty with Finite Resources

48. With the advance of technology, the prospect of greater world instability and other features of the foregoing view of the future comes a realization of the limitations of intelligence resources. The enormity of the task of planning for uncertain developments in the 1990s suggests a number of general conclusions:

- a. Qualitative changes in the performance of intelligence collection and analysis will be required in light of constraints which will exist on growth in the size of the workforce.
- b. Intelligence capabilities must be developed which allow for flexible, rapid deployment to a wide variety of contingencies or crises.
- c. The anticipated increase in information flow will be accompanied by a need for greater discipline in minimizing resources regularly devoted to areas of peripheral concern. There may be more targets for which intelligence resources simply do not exist, and greater reliance on private sector or liaison service capabilities may be required in these cases. The task will be to exercise such selectivity while maintaining the flexibility required to meet unpredictable contingencies, which often render established prioritization irrelevant.
- d. Where possible, greater integration of community elements will be necessary in order to create a more efficient allocation of resources. A responsible balance must be found between the real benefits of competing analysis and collection, and the high cost of duplicative efforts undertaken at the expense of other established priorities.

E. The Human Factor

49. Many of today's analysts will need to be retrained in order to function in the computer-oriented milieu of the 1990s. It will be necessary that collectors, producers, and consumers have basic skills in data processing and computer applications to a degree that would be regarded as exceptional by today's standards, and that information handling support personnel play a larger role.

50. The Community will also need to acquire and train a new generation of interdisciplinary analysts, combining, for example, the ability to estimate future S&T developments with the capacity to measure their implications in two or three other dimensions (political, economic, military, social, historical, psychological, or other). Conventional lines between science-engineering and social science, or between politics and economics, increasingly will cut across international realities, and the Intelligence Community will need minds trained to be equally at home with quantitative and qualitative approaches. First hand experience in a country, linguistic capacity and biographical insights on emerging leaders will also be important. As with today, the highest premium must be placed upon analysis which reflects clarity of thought, accuracy, candor and dispassion.

F. The Intelligence-Policy Relationship

51. The more complicated international environment may, in selected areas, cause the traditional distinction between intelligence and policymaking functions to be blurred. New issues on the policy agenda requiring specialized expertise and greater intelligence input (e.g., weapons technology transfer or the flow of narcotics funds) will arise. In such instances, the Intelligence Community could be increasingly called upon to assist in the

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development of policy options, and intelligence agencies must be sensitive to the problem of its support driving the decisionmaking process.

52. Should our analysis of greater Third World turmoil and a diffusion of power prove accurate, there will be more situations in which political action may be chosen as an appropriate response to evolving international crises. Not only will this pose additional resource burdens on intelligence agencies, but it will demand intensified awareness of the need for intelligence objectivity while engaging in such activities.

53. A trend toward a greater volume of intelligence and easier access to it by policymakers could also alter the traditional producer-consumer relationship. As electronic data transmission and storage capabilities advance, policymakers as well as intelligence analysts will have both raw and finished intelligence literally at their finger tips. This will raise concerns not only about data storage security but also about protection of sensitive sources and methods.

54. It should be recognized that the sharply rising volume of intelligence data will at the same time greatly outpace consumers' ability to absorb this flood of information. The vast glut of raw intelligence available to policymakers could also become a liability, if they make policy decisions based on unevaluated reporting rather than complete intelligence analyses. This hazard will make timely and insightful analysis even more vital. Moreover, we will require a far more systematic and effective tie than now exists, organizationally and procedurally, between senior intelligence producers and senior consumers.

55. In sum, the present methods for communicating intelligence to consumers will have to change in the 1990s. There will be no real substitute for comprehensive written analyses that convey genuine understanding of complex